

**Renewable Energy Taskforce
2012 SREC Auction Proposal
July 13, 2012**

Overview

We recommend three components of the 2012 SREC Auction:

1. Competitively bid auction for new systems, tiered by size
2. Competitively bid auction for all systems, tiered by size
3. Spot market purchases

The reasoning for the portfolio approach is as follows:

1. A balanced portfolio approach is the best way to achieve the objectives of the RPS statute while providing cost protection to the ratepayer;
2. Retaining a portion of the auction only for new systems, assures that some new construction happens at a minimum each year, creating a balanced solar market;
3. Long-term contracts are important for assuring the financial viability of new construction and reduce vulnerability to future price volatility;
4. Spot market purchases each year help mitigate risk to the ratepayer from price volatility in the market;
5. Long-term contracts that lock in low prices today from all systems (including existing systems) provide a strong benefit to the ratepayer; and
6. Consistency in program design between years and between auction components enables better market analyses and less public confusion on the processes.

Overall Auction Structure

1. Timing of the next auction: The next auction should be held by the **end of 2012** for procurement of SRECs starting June 1, 2013 (the next SREC compliance year).
2. Definition of new systems: Eligible new systems are systems with final interconnection approval after the first date of the preceding auction process (April 2, 2012).
3. Owners can bid individually or through an aggregator—aggregators are now optional.
4. The current use of bid deposits and parcel numbers are considered adequate site control to prevent speculation.
5. Auction frequency: Going forward, there will be one auction per compliance year for now due to the small size of overall procurement meaning that the transaction costs would be too high relative to procurement and the amount bid per tier would be too small.
6. For all tiers and components of the auctions, the receipt of any grants will not be considered and will not alter bid awards. All systems are eligible to bid, regardless of grants received.
7. Current production bands, requirements, and penalties will remain the same as previous auction.
8. For all competitive auctions, local content and labor would be used as a tiebreaker for bidders. The previous auction showed that currently the existing multipliers for labor and materials are sufficient incentives—this issue may need to be addressed if future auctions do not show a similar result.

9. Partial fill systems would be allowed to bid in future procurements in tiers based on their cumulative system size. Systems would first transfer SRECs at the lowest price each year. Proposed systems would have to install dual meters.
10. For system additions, Award is for the tier of the total system size resulting from the addition.

Part 1: Competitively bid auction for new systems, tiered by size

1. Definition of new systems: Eligible new systems are systems with final interconnection approval after the first date of the preceding auction process (April 2, 2012).
2. The auction will be held in three tiers:
 - a. Tier 1: 0 to 30 kW
 - b. Tier 2: 30 to 200 kW
 - c. Tier 3: 200 kW to 2 MW
3. All tiers will be bid competitively. [[question of single or iterative auction]]
 - a. Potential for Tier 1 to have a minimum price of the lowest Tier 2 bid from the previous auction
4. Contract structure: 20 year contract with first 7 years at competitive bid price, last 13 years at \$50/SREC.
5. Eligibility:
 - a. Small systems can bid in larger tiers but large systems cannot bid in smaller tiers.
 - b. The same parcel can bid more than one project proposal.

Part 2: Competitively bid auction for all systems, tiered by size

1. All systems are eligible, regardless of age or status of construction.
2. The auction will be held in two tiers:
 - a. Tier 1: 0 to 30 kW
 - b. Tier 2: 30 to 2 MW
3. All tiers will be bid competitively. [[question of single or iterative auction]]
4. Contract structure: 20 year contract with first 7 years at competitive bid price, last 13 years at \$50/SREC.
5. Eligibility:
 - a. Small systems can bid in larger tiers but large systems cannot bid in smaller tiers.
 - b. The same parcel cannot bid more than one system.

Part 3: Spot market purchases

1. DPL is encouraged to procure a portion of its requirement through the spot market.
2. The size of spot market purchase should be consistent with a portfolio approach of short term and long term purchases.
3. Spot market procurement should be open to new and existing systems.

Unresolved questions:

1. Total procurement for 2013-2014 compliance year
2. Split of procurement among new, all, and spot market components